Chicago Horticultural Society

Consolidated Financial Statements and Independent Auditor's Report

December 31, 2020

CHICAGO HORTICULTURAL SOCIETY
YEARS ENDED DECEMBER 31, 2020 AND 2019

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Independent Auditor's Report

To the Board of Directors
Chicago Horticultural Society

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Chicago Horticultural Society (the "Society"), which comprise the consolidated statements of financial position as of December 31, 2020 and 2019 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Chicago Horticultural Society as of December 31, 2020 and 2019 and the changes in their net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Directors
Chicago Horticultural Society

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2021 on our consideration of the Chicago Horticultural Society's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Chicago Horticultural Society's internal control over financial reporting and compliance.

Plante & Moran, PLLC

April 13, 2021

CHICAGO HORTICULTURAL SOCIETY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019
(000's omitted)

	2020	2019
ASSETS		
Cash	$ 8,770	$ 6,439
Pledges receivable	19,369	26,131
Accounts receivable- Net	1,246	2,817
Prepaid expenses and other assets	488	480
Investments	153,965	129,073
Beneficial interests in third-party trusts	1,187	1,099
Property and equipment, net	126,559	123,873
Total assets	$ 311,584	$ 289,912
LIABILITIES		
Accounts payable and other current liabilities	$ 5,326	$ 5,433
Contract liabilities	5,390	5,193
Note Payable - PPP	5,239	-
Other liabilities	1,069	822
Gift annuity obligations	305	306
Interest rate swaps	5,231	3,599
Bonds payable less unamortized bond issuance costs	49,571	49,544
Total liabilities	72,131	64,897
NET ASSETS		
Without donor restrictions		
Designated by the Board	71,488	60,756
Undesignated	70,464	70,048
Total net assets without donor restrictions	141,952	130,804
With donor restrictions		
Purpose and time restricted	41,194	39,615
Perpetual in nature	56,307	54,596
Total net assets with donor restrictions	97,501	94,211
Total net assets	239,453	225,015
Total liabilities and net assets	$ 311,584	$ 289,912

CHICAGO HORTICULTURAL SOCIETY
CONSOLIDATED STATEMENTS OF ACTIVITIES
Year ended December 31, 2020 (With Summarized Comparative Information for 2019)
(000's omitted)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
OPERATING REVENUES				
Forest Preserve District of Cook County				
Tax revenue	$ 8,868	$ -	$ 8,868	$ 8,872
Personal property replacement tax	253	-	253	253
Contributions	14,394	8,031	22,425	41,044
Government grants	1,549	-	1,549	2,618
Sponsorships	715	-	715	734
In-kind contributions	537	-	537	928
Membership	3,911	-	3,911	4,649
Visitor programs and operations	6,729	-	6,729	8,629
Education fees	1,229	-	1,229	2,331
Investment income	1,718	2,347	4,065	2,068
Fundraising benefits - Net of $156 and $493 of direct expenses in 2020 and 2019, respectively	876	-	876	853
Contracts & Other income	2,023	-	2,023	1,364
Release from restrictions	10,823	(10,823)	-	-
Total operating revenues	$ 53,625	$ (445)	$ 53,180	$ 74,343
OPERATING EXPENSES				
Program services				
Gardens and grounds	14,969	-	14,969	15,910
Visitor programs and operations	7,487	-	7,487	7,042
Education and community programs	6,230	-	6,230	6,755
Scientific affairs	7,246	-	7,246	7,405
Communications	2,319	-	2,319	2,520
Support services				
Administration	4,524	-	4,524	4,954
Development	3,938	-	3,938	4,349
Total operating expenses	$ 46,713	$ -	$ 46,713	$ 48,935
Increase (decrease) in net assets before nonoperating activities	$ 6,912	$ (445)	$ 6,467	$ 25,408
NONOPERATING ACTIVITIES				
Investment return net of amount designated for current use	5,868	3,735	9,603	14,910
Change in fair value of interest rate swaps	(1,632)	-	(1,632)	(2,203)
Total nonoperating activity	$ 4,236	$ 3,735	$ 7,971	$ 12,707
Increase (Decrease) in net assets	11,148	3,290	14,438	38,115
Net assets, beginning of year	130,804	94,211	225,015	186,900
Net assets, end of year	$ 141,952	$ 97,501	$ 239,453	$ 225,015

CHICAGO HORTICULTURAL SOCIETY
CONSOLIDATED STATEMENTS OF ACTIVITIES
Year ended December 31, 2019
(000's omitted)

	Without Donor Restrictions	With Donor Restrictions	2019 Total
OPERATING REVENUES			
Forest Preserve District of Cook County			
Tax revenue	$ 8,872	$ -	$ 8,872
Personal property replacement tax	253	-	253
Contributions	7,000	34,044	41,044
Government grants	2,618	-	2,618
Sponsorships	734	-	734
In-kind contributions	928		928
Membership	4,649	-	4,649
Visitor programs and operations	8,629	-	8,629
Education fees	2,331	-	2,331
Investment income	17	2,051	2,068
Fundraising benefits - Net of $493 of direct expenses	853	-	853
Contracts & Other income	1,364	-	1,364
Release from restrictions	6,343	(6,343)	-
Total operating revenues	$ 44,591	$ 29,752	$ 74,343
OPERATING EXPENSES			
Program services			
Gardens and grounds	15,910	-	15,910
Visitor programs and operations	7,042	-	7,042
Education and community programs	6,755	-	6,755
Scientific affairs	7,405	-	7,405
Communications	2,520	-	2,520
Support services		-	-
Administration	4,954	-	4,954
Development	4,349	-	4,349
Total operating expenses	$ 48,935	$ -	$ 48,935
Increase (decrease) in net assets before nonoperating activities	(4,344)	29,752	25,408
NONOPERATING ACTIVITIES			
Investment return net of amount designated for current use	9,182	5,728	14,910
Change in fair value of interest rate swaps	(2,203)	-	(2,203)
Total nonoperating activity	$ 6,979	$ 5,728	$ 12,707
Increase (Decrease) in net assets	$ 2,635	$ 35,480	$ 38,115
Net assets, beginning of year	128,169	58,731	186,900
Net assets, end of year	$ 130,804	$ 94,211	$ 225,015

CHICAGO HORTICULTURAL SOCIETY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2020
(000's omitted)

	PROGRAM SERVICES						SUPPORTING SERVICES		2020
	Gardens and Grounds	Visitor Programs and Operations	Education and Community Programs	Scientific Affairs	Communications	Total Program	Administration	Development	TOTAL
Salaries and wages	$ 5,517	$ 2,022	$ 2,986	$ 3,520	$ 1,393	$ 15,438	$ 2,024	$ 1,851	$ 19,313
Payroll taxes and fringe benefits	1,383	499	717	729	291	3,619	436	428	4,483
Professional services	608	287	734	175	91	1,895	274	333	2,502
Occupancy	357	160	91	122	22	752	42	82	876
Plants, research and other supplies	567	1,508	404	140	50	2,669	75	31	2,775
Office services and supplies	5	8	83	23	62	181	137	367	685
Printing	1	390	6	2	53	452	4	148	604
Equipment maintenance and repair	562	241	6	-	1	810	11	-	821
Travel	13	4	15	150	-	182	9	7	198
Vehicle maintenance and repair	42	11	4	2	-	59	-	-	59
Participant and client support	-	-	35	167	-	202	-	-	202
Other operating expenses	406	1,601	347	441	282	3,077	458	446	3,981
Advertising and marketing	-	-	-	-	-	-	326	-	326
Debt service expenses	280	1	2	834	66	1,183	515	66	1,764
Depreciation and amortization	5,228	755	800	941	8	7,732	213	179	8,124
Total functional expenses	**$ 14,969**	**$ 7,487**	**$ 6,230**	**$ 7,246**	**$ 2,319**	**$ 38,251**	**$ 4,524**	**$ 3,938**	**$ 46,713**

CHICAGO HORTICULTURAL SOCIETY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2019
(000's omitted)

	PROGRAM SERVICES						SUPPORTING SERVICES		2019
	Gardens and Grounds	Visitor Programs and Operations	Education and Community Programs	Scientific Affairs	Communications	Total Program	Administration	Development	TOTAL
Salaries and wages	$ 6,289	$ 2,010	$ 3,361	$ 3,505	$ 1,451	$ 16,616	$ 2,083	$ 2,042	$ 20,741
Payroll taxes and fringe benefits	1,348	436	715	655	279	3,433	369	412	4,214
Professional services	1,045	410	595	432	131	2,613	288	399	3,300
Occupancy	418	142	102	141	19	822	48	76	946
Plants, research and other supplies	749	1,586	409	238	155	3,137	85	187	3,409
Office services and supplies	8	7	111	22	87	235	92	417	744
Printing	1	379	11	7	166	564	5	149	718
Equipment maintenance and repair	605	31	2	-	1	639	21	-	660
Travel	80	2	121	179	3	385	17	23	425
Vehicle maintenance and repair	52	7	21	2	-	82	-	-	82
Participant and client support	-	1	33	347	-	381	-	-	381
Other operating expenses	(362)	1,258	498	185	145	1,724	851	285	2,860
Advertising and marketing	-	-	-	-	-	-	425	103	528
Debt service expenses	310	1	3	660	73	1,047	521	73	1,641
Depreciation and amortization	5,367	772	773	1,032	10	7,954	149	183	8,286
Total functional expenses	**$ 15,910**	**$ 7,042**	**$ 6,755**	**$ 7,405**	**$ 2,520**	**$ 39,632**	**$ 4,954**	**$ 4,349**	**$ 48,935**

See Notes to Consolidated Financial Statements

CHICAGO HORTICULTURAL SOCIETY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 2020 and 2019
(000's omitted)

	2020	2019
Cash flows from operating activities:		
Increase in net assets	$ 14,438	$ 38,115
Depreciation and amortization	8,124	8,286
Expense of bond issue cost	27	28
Realized and unrealized gains on investments	(12,173)	(15,266)
Contributions of securities	(5,613)	(13,252)
Change in allowance for doubtful accounts	2	(750)
Change in fair value of beneficial interests in third-party trusts	(88)	(149)
Change in fair value of interest rate swaps	1,632	2,203
Contributions restricted for long-term investment	1,719	(22,167)
Gift annuity obligations	(1)	(19)
Changes in assets and liabilities:	-	-
Pledges receivable	2,099	780
Accounts receivable and prepaid expenses	1,563	(2,238)
Accounts payable, accrued expenses and deferred revenue	(422)	3,184
Net cash provided by (used in) operating activities	11,307	(1,244)
Cash flows from investing activities:		
Purchase of property and equipment	(10,051)	(5,518)
Proceeds from sale of investments	18,154	3,234
Purchase of investments	(30,482)	(3,830)
Net cash used in investing activities	(22,379)	(6,114)
Cash flows from financing activities:		
Proceeds from PPP loan	5,239	-
Sale of donated financial assets	5,222	4,191
Collections of contributions restricted for investment in endowment	2,942	7,377
Net cash provided by financing activities	13,403	11,568
Increase in cash	2,331	4,210
Cash, beginning of year	6,439	2,229
Cash, end of year	$ 8,770	$ 6,439
Supplemental disclosure of cash flow information:		
Interest paid, net of interest capitalized	$ 1,449	$ 1,242
Non-cash property and equipment additions	$ (1,245)	$ (486)

1. ORGANIZATION

The Chicago Horticultural Society (the "Society") operates the Chicago Botanic Garden on land owned by the Forest Preserve District of Cook County (the "District") under an agreement expiring in 2055. Such agreement provides for an automatic renewal for 40 years unless either party provides notice of non-renewal.

The Board of Directors of the Society has adopted the following mission statement: We cultivate the power of plants to sustain and enrich life.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation— The consolidated financial statements include the accounts of the Society and Chicagoland Grows, Inc., of which the Society is the sole member (collectively referred to as the "Society"). There are no significant intercompany transactions between these entities.

Basis of Presentation— The consolidated financial statements of the Society have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAPUSA).

Classification of Net Assets – Net assets of the Society are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed or the donor-imposed restriction have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Society.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Net assets designated by the board are net assets without donor restrictions and include the change in fair value of interest rate swaps, certain beneficial interest in third-party trusts, and the board-designated endowment fund (see Note 14). These designations are based on board actions, which can be altered or revoked at a future time by the board.

Contributions and Grant Revenue – Contributions are recorded as increases in net assets with donor restrictions or increases in net assets without donor restrictions, depending on the existence or nature of any donor restrictions. Contributions received with donor-imposed restrictions limiting the use of the donated assets are reported as revenue with donor restrictions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When a donor restriction expires, that is, when a time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restriction.

Contributions of donated securities are sold upon receipt unless there are donor restrictions restricting the sale of such securities.

Government grant revenue consists of cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Society has incurred expenditures in compliance with specific contract or grant provisions. Amounts that have been awarded but not yet recognized as revenue are treated as conditional contributions and are not reflected in the accompanying consolidated financial statements. As of December 31, 2020, the Society is eligible to receive and recognize $3,619 of these conditional contributions upon the occurrence of future qualifying expenses.

Tax revenue appropriated and collected by the District partially supports the services provided by the Society under its agreement with the District to operate the Chicago Botanic Garden. Amounts received from the District under the agreement for 2020 represent the amounts appropriated by the District for 2019 property taxes and personal property replacement taxes, which are due for payment from taxpayers in 2020 for ultimate distribution to the Society. Tax revenues also include the Society's share of any amounts remitted to the District by the Cook County Collector (the "County") for prior year property tax payments, net of the Society's share of any property tax refunds returned to the taxpayers by the County. Support from the District for any given year is recognized at the net amount reported as collected by the District to operate the Chicago Botanic Garden. A receivable is recorded at year-end for any amounts reported as collected by the District but not yet remitted to the Society.

Revenue Recognition for Contracts with Customers — The Society's revenue streams under contracts with customers are comprised of events revenue; program-generated revenues; membership dues and facility room rentals.

For each revenue stream identified above, revenue recognition is subject to the completion of performance obligations. For each contract with a customer, the Society determined whether the performance obligations in the contracts are distinct or should be bundled. Factors to be considered include the pattern of transfer, whether visitors or participants (customers) can benefit from the resources, and whether the resources are readily available. The Society also performs an analysis to determine if membership dues, sponsorship agreements or special event tickets constitute separate performance obligations. The Society's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a given point in time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Society recognizes the revenue over a period of time if the customer receives and consumes the benefits that the Society provided, or if the Society's performance does not create an asset with an alternative use, and has an enforceable right to payment for the performance. The revenue is recognized at a given point in time when the control of the goods or service is transferred to the customer and when the customer can direct its use and obtain substantial benefit from the goods.

The transaction price is calculated as the amount of consideration to which the Society expects to be entitled (such as merchant price, event agreements, price of membership and course fees set in advance). Payment is typically expected at the point of sale. In some situations (such as course fees for education programs, sponsorship, or security of room rental), the Society bills customers and collects cash prior to the satisfaction of the performance obligation, which results in the Society recognizing contract liabilities upon receipt of payment.

The following explains the performance obligations related to each revenue stream and how they are recognized.

Membership Dues – The Society earns dues from its members for memberships. Membership dues are earned over the course or one of two years, representing the period over which the Society satisfies the performance obligation.

Visitor Programs and Operations – The Society generates revenue from transaction-based fees, restaurant sales, merchandise sales, and providing services to customers. Transactions-based fees, which include parking, ticket sales, and plant sales, are recognized at the time the transaction is executed as that is the point in time when the Society satisfies the performance obligation. Restaurant, merchandise, and plant sales are recognized at the point in time when the sale occurs and the visitor takes possession of the item purchased.

Facility Rental Revenues – Included in visitor programs and operations revenue on the consolidated statement of activities, facility rental revenues consist of room rentals for special events on a specified date. The Society does not have an obligation to issue a refund in the event that facility room rental is canceled by the customer. The Society recognizes revenue at the point in time when services are rendered to the customer.

Other Income – The Society generates revenue from other activities including sponsorships, education programs, tours, transportation, and equipment rentals. The Society recognizes revenue at the point in time the services are rendered to its visitors.

Pledges Receivable—Contributions, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises to give and grants expected to be received over more than one year are recorded at the present value of their estimated future cash flows. Amortization of the discount is recorded as additional contribution revenue. Conditional promises are recorded when donor stipulations are substantially met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable— Accounts receivable consist of government grants and other receivables that are carried at original invoice and voucher amount. Management monitors the collection of these receivables on a monthly basis and amounts are written off when deemed uncollectible**.** At January 1, 2019, accounts receivable amounted to $671, of which $447 represents government grants receivable and $224 represents receivables from contracts with customers.

Investments— Investments are measured at fair value in the accompanying consolidated statements of financial position. Investment income or loss (including realized gains and losses on investments, changes in unrealized holding gains and losses, interest, and dividends) on investments is included in investment income and return in the consolidated statements of activities. Gains and losses on securities transactions are accounted for on the specific-identification method. Certain investments require advance notice to sell the Society's share of its investment. The Society's investments are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to these risk factors, it is reasonably possible that changes in the value of investments will occur in the near term and will materially affect the amounts reported in the consolidated financial statements.

In 1996, the Society established a spending policy based on the total return concept, and approved an investment payout of five percent of the average fair value of the long-term investment pool for allocation to operations as directed by the Board of Directors. To the extent the investment income exceeds investment payout, it is reported as a nonoperating activity in the consolidated statements of activities.

Property and Equipment— All real property of the Society, whether purchased with District tax funds or private funds, is owned by the District. Personal property is owned by the Society. Property and equipment, whether owned by the District or the Society, is capitalized on the Society's books and depreciation is recorded using the straight-line method, based on estimated useful lives of the related assets or the term of the agreement. The useful lives of building and improvements, land improvements, and equipment are 20 to 40 years, 20 years, and 3 to 10 years, respectively.

Museum Assets— Purchased museum assets and rare books are capitalized at the time of purchase and not depreciated. Contributed museum assets are not valued and thus are not reflected in the consolidated financial statements.

Interest Rate Swaps— The Society's interest rate swaps are recognized as a liability in the consolidated statements of financial position and measured at fair value. Any change in fair value is recognized immediately in earnings.

In order to present the interest expense at the fixed amount paid, the periodic settlement payments are recorded as interest expense and are included as operating expenses in the consolidated statements of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The change in the fair value of these financial instruments, net of the periodic settlement payments, has been recorded in nonoperating activities in the consolidated statements of activities. See Note 11 for further disclosures.

Income Tax—The Society is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 (as amended from time to time) as well as similar provisions of state and local revenue laws.

Chicagoland Grows, Inc. is tax exempt under Section 501(c)(3) of the Internal Revenue Code. Chicagoland Grows, Inc. is one of the most innovative plant introduction programs in the horticulture industry. The program's main goal is to develop and promote the use of new plant cultivars that are well-adapted to the growing conditions of the Upper Midwest.

The Society's application of GAAPUSA regarding uncertain tax positions had no effect on its financial position as management believes the Society has no material unrecognized income tax liabilities, including any potential risk of loss of its exempt status. The Society would account for any potential interest or penalties related to possible future liabilities for unrecognized income tax liabilities as income tax expense.

Functional Allocation of Expenses – Costs of providing the program and support services have been reported on a functional basis in the statement of activities. Costs are charged to program services and supporting services on an actual basis when available. In addition, indirect costs have been allocated between the various programs and support services on several bases and estimates as determined by management:

- *Depreciation – by headcount per building occupied by all departments and/or building or equipment within each function*
- *Information Technology Services – by headcount per shared utilization by all department and/or building within each function (included in professional services, plants, research and other supplies, and other operating expenses)*
- *Debt service expenses – by headcount based on use of leased equipment, proceeds from bond issuance, and directly assigned*
- *Occupancy – by headcount based on building occupied by all departments and/or building within each function*

Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates—The preparation of consolidated financial statements in conformity with GAAPUSA requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties due to COVID-19 – On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic". First identified in late 2019 and known now as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak, which have impacted global business operations. In response to the pandemic declaration, the Society temporarily closed its facilities to the public for approximately three months. The temporary closure resulted in an overall decrease of visitor programs and operations, membership, and education fees revenues. No impairments were recorded as of the consolidated statement of financial position date; however, due to significant uncertainty surrounding the situation, management's judgement could change in the future. In addition, while the Society's results of operations, cash flows, investments, and financial condition could be negatively impacted, the extend of the impact cannot be reasonably estimated at this time

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including April 13, 2021, which is the date the consolidated financial statements were available to be issued.

3. PLEDGES RECEIVABLE

Contributions are recorded at the present value of their estimated future cash flows. The Society discounted contributions due in more than one year using rates between 0.10% and 2.14%. Unconditional promises to give are expected to be received in the following periods:

	2020	2019
Within one year	$ 5,523	$ 7,306
Two to five years	12,510	18,098
More than five years	1,805	1,505
Less:		
Discount to present value	(454)	(761)
Allowance for uncollectible promises to give	(15)	(17)
	$ 19,369	$ 26,131

4. BENEFICIAL INTERESTS IN THIRD-PARTY TRUSTS

Beneficial interests in third-party trusts primarily consist of charitable remainder trusts. These interests are adjusted to fair value using an interest rate between 4.20% to 8.40% for the discount rate.

	2020	2019
Gross beneficial interests	$ 1,795	$ 1,736
Less fair value discount	(608)	(637)
	$ 1,187	$ 1,099

5. INVESTMENTS

Investments consist of the following as of December 31, 2020 and 2019:

	2020	2019
Corporate bonds and fixed income funds	$ 12,842	$ 8,199
Common stock and equity funds	41,602	39,747
Equity commingled fund	5,965	-
Money market funds	18,715	19,000
Fixed income commingled fund	50,093	34,486
Open-ended real estate fund	9,658	11,342
Hedge funds	13,088	13,886
Private equity funds	1,541	1,715
Real estate funds	461	698
	$ 153,965	$ 129,073

Total investment return consists of the following:

	2020	2019
Interest and dividends - Net	$ 1,495	$ 1,713
Realized gain on sale of investments	3,522	14,406
Change in unrealized gain (loss) on investments	8,651	859
	$ 13,668	$ 16,978

Investment income included in operations totaled $4,065 and $2,068 for 2020 and 2019, respectively. The total investment return is net of $223 and $148 for investment consulting and custodian fees for 2020 and 2019, respectively.

6. FAIR VALUE MEASUREMENT

GAAPUSA defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. GAAPUSA describes three approaches to measuring the fair value of assets and liabilities: the market approach; the income approach; and the cost approach. Each approach includes multiple valuation techniques. GAAPUSA does not prescribe which valuation technique should be used when measuring fair value, but does establish a fair value hierarchy that prioritizes the inputs used in applying the various techniques. Inputs broadly refer to the assumptions that market participants use to make pricing decisions, including assumptions about risk. Level 1 inputs are given the highest priority in the hierarchy while Level 3 inputs are given the lowest priority.

Financial assets and liabilities carried at fair value are classified in one of the following three categories based upon the inputs to the valuation technique:

- *Level 1* - Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Investments included in Level 1 include listed equities.

- *Level 2* - Observable market-based inputs or unobservable inputs that are corroborated by market data. Investments which are generally included in this category include less liquid and certain over-the-counter derivatives. Investments that are included in this category also include investments in commingled funds and investment partnerships such as hedge funds and open-ended real estate funds.

- *Level 3* - Unobservable inputs that are not corroborated by market data. These inputs reflect management's best estimate of fair value using net asset value per share of the funds. Investments that are included in this category generally include investments in investment partnerships such as private equity and real estate funds.

6. FAIR VALUE MEASUREMENT (CONTINUED)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurements. The Society's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The following section describes the valuation techniques used by the Society to measure different financial instruments at fair value and includes the level within the fair value hierarchy in which the financial instrument is categorized.

Investments measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. The estimated fair values for the fixed income, hedge, private equity, large-cap equity, and real estate funds were based on net asset value per share of the fund for the years ended December 31, 2020 and 2019.

6. FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents the Society's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2020:

		Fair Value Measurement Using			
Description	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Assets:					
Equity mutual funds					
U.S. large-cap	$ 620	$ 620	$ -	$ -	$ -
U.S. mid-cap	8,868	8,868	-	-	-
U.S. small-cap	5,733	5,733	-	-	-
International growth	18,769	18,769	-	-	-
Emerging market value	7,808	7,808	-	-	-
Fixed income mutual funds					
U.S. core bond	12,646	12,646	-	-	-
Money market fund	18,715	18,715	-	-	-
Other					
Equity commingled fund	5,965		-	-	5,965
Fixed income commingled fund	13,122	-	-	-	13,122
Hedged equity fund	8,143	-	-	-	8,143
Relative value hedge funds	4,945	-	-	-	4,945
Open-ended real estate funds	9,658	-	-	-	9,658
Private equity funds	1,541	-	-	-	1,541
Real estate funds	461	-	-	-	461
Large-cap equity fund	36,971	-	-	-	36,971
Subtotal	153,965	73,159	-	-	80,806
Beneficial interests in third-party trusts	1,187	-	-	1,187	-
	$ 155,152	$ 73,159	$ -	$ 1,187	$ 80,806
Liabilities:					
Interest rate swaps	$ 5,231	$ -	$ 5,231	$ -	$ -

6. FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents the Society's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2019:

		Fair Value Measurement Using			
Description	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value
Assets:					
Equity mutual funds					
U.S. large-cap	$ 485	$ 485	$ -	$ -	$ -
U.S. mid-cap	5,749	5,749	-	-	-
U.S. small-cap	5,847	5,847	-	-	-
International growth	21,506	21,506	-	-	-
Emerging market value	6,160	6,160	-	-	-
Fixed income mutual funds					
U.S. core bond	8,199	8,199	-	-	-
Money market fund	19,000	19,000	-	-	-
Other					
Fixed income commingled fund	7,236	-	-	-	7,236
Hedged equity fund	6,839	-	-	-	6,839
Relative value hedge funds	7,047	-	-	-	7,047
Open-ended real estate funds	11,342	-	-	-	11,342
Private equity funds	1,715	-	-	-	1,715
Real estate funds	698	-	-	-	698
Large-cap equity fund	27,250	-	-	-	27,250
Subtotal	129,073	66,946	-	-	62,127
Beneficial interests in third-party trusts	1,099	-	-	1,099	-
	$ 130,172	$ 66,946	$ -	$ 1,099	$ 62,127
Liabilities:					
Interest rate swaps	$ 3,599	$ -	$ 3,599	$ -	$ -

6. FAIR VALUE MEASUREMENT (CONTINUED)

At December 31, 2020 and 2019, the Society had $36,971 and $27,250, respectively, invested in the Legal & General S&P 500 Fund. This single investment represents a significant portion of the Society's investment balance in each respective year, making up approximately 24% of the total portfolio at December 31, 2020 and 21% at December 31, 2019.

Level 1
Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation.

Level 2
Interest rate swaps are not traded on an exchange and are recorded at fair value based on a variety of observable inputs, including contractual terms, interest rate curves, yield curves, credit curves, measure of volatility, and correlations of such inputs. Valuation adjustments may be made in the determination of fair value, which was obtained by an independent third-party advisor. These adjustments include amounts to reflect counterparty credit quality and liquidity risk. A schedule of potential counterparty risk was also provided by an independent third-party advisor. This schedule assumed the maximum exposure assuming the counterparty had no claims-paying ability and had not posted collateral with a third party.

Level 3
The Society's beneficial interests in third-party trusts are stated at estimated fair value based on the Society's percentage of the trust applied to the total fair value of the trust, which is based primarily on quoted market prices. Changes in fair value of the underlying trust assets, as determined by the trustees that hold and manage these assets, are recognized in the consolidated statements of activities in the periods in which they occur.

The Society's policy is to recognize transfers in and transfers out of Level 1, 2, and 3 fair value classifications as of the beginning of the year of change in circumstances that caused the transfer.

6. FAIR VALUE MEASUREMENT (CONTINUED)

The following table presents a reconciliation of the beginning and ending balances recorded for beneficial interest in third-party trusts classified as Level 3 in the fair value hierarchy as of December 31:

	2020	2019
Assets:		
Beginning balance	$ 1,099	$ 950
Total gains (losses) (realized and change in unrealized) included in change in net assets	88	149
Ending balance	$ 1,187	$ 1,099
The amount of total gains / (losses) for the year included in change in net assets attributable to the change in unrealized gains (losses) relating to assets still held at December 31	$ 88	$ 149

6. FAIR VALUE MEASUREMENT (CONTINUED)

At December 31, 2020 and 2019, the fair value, unfunded commitments, redemption rules, and investment strategies of investments valued at NAV or its equivalent are as follows:

	Fair Value as of December 31, 2020	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Equity commingled fund [(a)]	$ 5,965	$ -	quarterly	30 days
Fixed income commingled fund [(b)]	13,122	-	quarterly	30 days
Hedge funds:				
Hedged equity hedge fund [(c)]	8,143	-	monthly	5 days
Relative value hedge fund [(d)]	4,945	-	quarterly	65 days
Open-ended real estate funds [(e)]	9,658	-	quarterly	90 days
Private equity funds [(f)]	1,541	101	see paragraph f	see paragraph f
Real estate funds [(g)]	461	-	see paragraph g	see paragraph g
Large-cap equity fund [(h)]	36,971		Daily	N/A
	$ 80,806	$ 101		

	Fair Value as of December 31, 2019	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Fixed income commingled fund [(b)]	$ 7,236	$ -	quarterly	30 days
Hedge funds:				
Hedged equity hedge fund [(c)]	6,839	-	monthly	5 days
Relative value hedge fund [(d)]	7,047	-	quarterly	65 days
Open-ended real estate funds [(e)]	11,342	-	quarterly	90 days
Private equity funds [(f)]	1,715	101	see paragraph f	see paragraph f
Real estate funds [(g)]	698	-	see paragraph g	see paragraph g
Large-cap equity fund [(h)]	27,250	-	Daily	N/A
	$ 62,127	$ 101		

6. FAIR VALUE MEASUREMENT (CONTINUED)

a. This category invests in a commingled equity fund that includes assets from multiple accounts that are blended together. The portfolio consists of several sub-portfolios that are actively managed by analysists who have discretion over stock selection and timing of investments within their respective industries. The portfolio construction team keeps the style exposure with 0.2 standard deviations of the benchmark.

b. This category invests in a commingled fund that seeks a high level of current income by investing in floating rate loans and floating rate debt securities. The fund generally invests at least 80% of its assets in floating rate loans and floating rate debt securities. The fund may invest up to 25% of its assets in U.S. dollar-denominated foreign investments, principally in developed markets. It may invest up to 20% of its assets in certain other types of debt instruments or securities, including non-investment grade debt instruments.

c. This category contains a hedge fund that seeks to provide a defensive equity exposure that is expected to provide favorable risk-adjusted performance relative to the S&P 500 Index over the long term, and is expected to produce the strongest relative performance when the S&P 500 is experiencing negative returns. The strategy is designed to provide equity exposure and downside protection through core positions in the S&P 500 index (50%) and U.S. Treasury bills (50%), combined with fully covered equity index call and put options. The strategy does not utilize leverage.

d. This category includes a hedge fund that seeks to achieve a substantial return on capital through opportunistic investments primarily in a broad range of public and private credit instruments with an emphasis on corporate credit securities, asset-backed securities, mortgage-backed securities, commercial real estate, structured credit, and collateralized loan obligations.

e. This category includes a perpetual life, open-end real estate fund that seeks to combine an attractive yield with long-term capital growth by acquiring or otherwise investing in primarily institutional quality real estate assets and real estate-related investments within the United States. The fair value of the investments in this category has been estimated using the net asset value of the Society's ownership interest in partners' capital.

f. This category includes several private equity funds that invest in a wide range of equity and equity-related securities of management buyout transactions and special equity transactions. A characteristic of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. These investments may not be redeemed without the prior written consent of the general partner. If these investments were held, it is estimated that the underlying assets of the fund would be liquidated over five to eight years. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment in this category will be sold, the fair value of each individual investment has been estimated using the net asset value of the Society's ownership interest in partners' capital.

6. FAIR VALUE MEASUREMENT (CONTINUED)

g. This category includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this category have been estimated using the net asset value of the Society's ownership interest in partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. These investments may not be redeemed without the prior written consent of the general partner. It is estimated that the underlying assets of the fund will be liquidated over the next three to eight years. However, the individual investments that will be sold have not yet been determined. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been estimated using the net asset value of the Society's ownership interest in partners' capital. Once it has been determined which investments will be sold and whether those investments will be sold individually or in a group, the investments will be sold in an auction process. The investee fund's management must approve of the buyer before the sale of the investment can be completed.

h. This category includes a commingled fund that invests primarily is large-cap U.S. equity securities. The fund seeks to match the risk and return characteristics of the S&P 500 Total Return Index. The proportion of securities held is approximate to the weights of the S&P 500 Total Return Index.

7. PROPERTY AND EQUIPMENT

Property and equipment are reflected at cost and consist of the following:

	2020	2019
Buildings and improvements	$ 139,196	$ 138,175
Land improvements	83,815	82,113
Equipment	17,181	16,607
Museum assets	4,342	4,342
Construction in progress	9,980	2,563
	254,514	243,800
Accumulated depreciation	(127,955)	(119,927)
	$ 126,559	$ 123,873

7. PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation and amortization expense was $8,124 and $8,286 for 2020 and 2019, respectively. The amount represents true depreciation expense, the disposal of fully depreciated assets and amortization.

Construction in progress as of December 31, 2020 and 2019 consists of expenditures associated primarily with the construction of the shade garden and various other projects.

As of December 31, 2020, the Society had agreements with contractors for approximately $2,077 in Shade Evaluation Garden, Website platform upgrade and other various projects.

8. CONTRACT LIABILITIES

Contract liabilities consist of the following as of December 31, 2020 and 2019:

	2020	2019
Membership dues	$ 3,869	$ 3,105
Visitor programs and operations	1,161	1,858
Facility rentals	360	230
Total	$ 5,390	$ 5,193

The following table provides information on the changes in the balance of contract liabilities for the years ended December 31, 2020 and 2019:

	2020	2019
Opening balance	$ 5,193	$ 3,869
Cash received	11,201	3,058
Less revenue recognized from satisfaction of performance obligations in the current period	(11,004)	(1,734)
Ending balance	$ 5,390	$ 5,193

9. LINES OF CREDIT

The Society had two $5 million lines of credit ($5 million committed and $5 million uncommitted) available in 2020 and 2019. Outstanding amounts bear interest at a prime-based rate or a LIBOR-based rate. There were no borrowings outstanding on the lines of credit as of December 31, 2020 and 2019. The Society has agreed to maintain a funded indebtedness (cash, unrestricted investments, and unrestricted pledges to indebtedness) financial ratio of at least .85 to 1.0 at December 31, 2020 and 2019.

10. BONDS PAYABLE

Bonds payable at December 31, 2020 and 2019 consist of the following amounts due to the Illinois Finance Authority, which issued Adjustable Demand Revenue Bonds on the Society's behalf:

	2020	2019
Series 2008, payable 2043	$ 30,000	$ 30,000
Series 1999, payable 2029	20,000	20,000
Unamortized Debt Issuance Costs	(429)	(456)
	$ 49,571	$ 49,544

The Society has obtained a letter of credit from a bank for each bond issue, which provides credit enhancement for the bonds. The letters of credit for the Series 1999 bonds and Series 2008 bonds expire on December 31, 2023.

The bonds' proceeds were used by the Society to finance the costs of construction, to equip new operating facilities and gardens, and to pay certain issuance costs. The bonds' interest rate is adjustable weekly based on a national index of tax-exempt variable rate bonds. The weekly rates for 2020 and 2019 averaged 0.51% and 1.46%, respectively.

Total interest expense for all debt and including the interest payments made under the swap agreements (See Note 11) and amortization of bond issuance costs, for 2020 and 2019 was $1,365 and $1,243 respectively. The bonds are due in lump-sum payments in the year 2029 and 2043, as indicated in the table above. In the event that the remarketing agent is unable to remarket the bonds, the bonds become pledged bonds to the bank under the letter of credit. If the letter of credit cannot be renewed and an alternative letter of credit cannot be obtained, so long as certain conditions are satisfied under the reimbursement agreement in effect between the Society and the bank, the bonds shall be repaid according to an amortization schedule consisting of eight quarterly installments of principal, with the first of such installments commencing on the due date, which is 13 months after the date on which the bonds were purchased by the bank pursuant to the letter of credit. The Society has agreed to maintain a funded indebtedness (cash, unrestricted investments, and unrestricted pledges to indebtedness) financial ratio of at least 0.85 to 1.0 on the combined bond issues as of December 31, 2020 and 2019.

11. INTEREST RATE SWAPS

The Society entered into two interest rate swap agreements, which are considered derivative financial instruments. The Society does not utilize interest rate swaps or other similar financial instruments for trading or other speculative purposes. The counterparty for these swap agreements is The Northern Trust Company, a major financial institution with which the Society also has other financial relationships.

The principal objective of these swap agreements is to minimize the risks associated with financing activities by reducing the impact of changes in interest rates on floating rate debt. These swap agreements are a contract to exchange fixed interest payments for the floating rate interest received over the life of the swap agreements without the exchange of the underlying notional amounts. Effective July 1, 2010, the Society entered into an agreement to limit the interest rate exposure to 3.64% on a notional amount of $12,000 that expires on June 1, 2025. Effective February 12, 2009, the Society entered into an agreement to limit the interest rate exposure to 2.47% on a notional amount of $38,000 that expired on February 1, 2019. Effective December 7, 2018, the Society entered into an agreement to limit the interest rate exposure to 2.176% on the notional amount of $38,000 that expires on July 28, 2028. The counterparty for this new agreement is BMO Harris Bank, a major financial institution with which the Society also has other financial relationships. The Society is exposed to credit loss in the event of nonperformance with each bank to the interest rate swap agreements; however, the Society does not anticipate nonperformance by either of the counterparty banks.

The following table presents the amounts and the locations of the amounts relating to the Society's interest rate swaps in the Society's consolidated financial statements as of and for the years ended December 31, 2020 and 2019:

	2020	2019
Statements of Financial Position Information:		
Interest rate swaps	$ 5,231	$ 3,599
Statements of Activities Information:		
Change in fair value of interest rate swaps	$ (1,632)	$ (2,203)
Periodic settlement payments recorded as interest expense and included in the operating expenses	(1,061)	(483)
Total loss on interest rate swaps	$ (2,693)	$ (2,686)

12. LEASES

Lease are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent the Society's right to use an underlying asset for the lease term and lease liabilities represent the Society's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The Society uses its incremental borrowing rate at lease commencement to calculate the present value of the lease payments over the lease term.

The Society is obligated under an operating lease primarily for a building and related facilities, expiring at December 31, 2027 with an option to renew for an additional 10 years after expiration. Cash paid under this lease amounts to $13 and $13 as of December 31, 2020 and 2019, respectively.

The Society leases the copiers under long-term lease arrangements classified as finance leases. Under the terms of the lease agreements, payments of $3 are due monthly through June 30, 2021.

The right of use assets and related lease liabilities for the operating and finance leases have been calculated using the incremental borrowing rate of 4.5 percent. Right-of-use assets and lease liabilities by lease type, and the associated statements of financial position classifications are as follows for the year ended December 31, 2020 and 2019:

	Statements of Financial Position Classification	2020	2019
Right-of-use assets:			
Operating lease	Prepaid expenses and other assets	$ 148	$ 153
Finance leases	Property and equipment, net	18	53
Total right-of-use assets		$ 166	$ 206
Lease liabilities			
Operating lease	Accounts payable and other accrued current liabilities	149	154
Finance leases	Accounts payable and other accrued current liabilities	20	59
Total lease liabilities		$ 169	$ 213

Expenses recognized under these leases consist of the following:

Years Ended December 31	Operating Lease	Finance Leases		Total
	Lease Expense	Amortization Expense	Interest Expense	Total Expense
2019	$ 13	35	4	$ 52
2020	$ 13	35	2	$ 50

12. LEASES (CONTINUED)

Aggregate future minimum lease payments as of December 31, 2020 are as follows:

Years Ending December 31	Operating Lease	Financing Leases	Total Payments
2021	12	20	32
2022	12	-	12
2023	12	-	12
2024	12	-	12
2025	12	-	12
Thereafter	155	-	155
Total future minimum payments	215	20	235
Less: Present value discount	(66)	(0)	(66)
Long-term obligations under capital leases	$ 149	$ 20	$ 169

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2020 and 2019:

	2020	2019
Subject to expenditures for a specified purpose:		
Garden construction and improvement projects	$ 9,455	$ 10,644
Educational, research and garden programs	12,054	12,919
Total subject to expenditures for a specified purpose	21,509	23,563
Subject to the passage of time	36	137
Subject to the Society's spending policy and appropriation	19,649	15,915
Not subject to appropriation or expenditure	56,307	54,596
	$ 97,501	$ 94,211

Net assets of $10,823 and $6,343 were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the passage of time in 2020 and 2019, respectively.

13. NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets not subject to appropriation of expenditure consist of endowment funds, pledges restricted for investment in endowment, and beneficial interests in third-party trusts as of December 31, 2020 and 2019. The income earned on the investment of net assets restricted in perpetuity is generally available for use in garden maintenance and supporting the Society's research programs.

14. DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS

The Society's endowment includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. Net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Society is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Society had interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Society considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Society has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Society and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Society
- The investment policies of the Society

14. DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (CONTINUED)

Underwater Endowment Funds – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires the Society to retain as a fund of perpetual duration. There were no deficiencies of this nature as of December 31, 2020 and 2019.

Return Objectives and Risk Parameters—The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to achieve a return of 5 percent net of inflation and investment expenses. The secondary investment objective is to earn a total return, net of expenses, at least equal to the portfolio's composite benchmark as defined in its investment policy statement. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Society has a policy of appropriating for distribution each year up to five (5) percent of the rolling three (3) year average fair value of the long-term investment pool for allocation to operati**ons** as directed by the Board of Directors. In establishing this policy, the Society considered the long-term expected rate of return on its endowment. Accordingly, over the long term, the Society expects the current spending policy to allow its endowment to grow an average of 1.5 percent annually. The Society has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations.

14. DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (CONTINUED)

The endowment net assets composition by type of fund as of December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions: Purpose or Time Restricted	With Donor Restrictions: Perpetual in Nature	Total
Donor-restricted endowment funds	$ -	$ 19,649	41,836	$ 61,485
Board-designated endowment funds	74,888			74,888
Total Funds	$ 74,888	$ 19,649	$ 41,836	$ 136,373

Changes in endowment net assets for the year ended December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions: Purpose or Time Restricted	With Donor Restrictions: Perpetual in Nature	Total
Beginning balance	$ 60,756	$ 15,915	$ 37,175	$ 113,846
Investment return:				
Investment income	901	751	-	1,652
Net appreciation (realized and change in unrealized)	6,395	5,330	-	11,725
Total investment return	7,296	6,081	-	13,377
Contributions			1,719	1,719
Collections of pledges restricted for investment in endowment			2,942	2,942
Bequests and contributions designated by the board for endowment	8,573		-	8,573
Appropriation of endowment assets for expenditure	(1,737)	(2,347)	-	(4,084)
Ending balance	$ 74,888	$ 19,649	$ 41,836	$ 136,373
Reconciliation to perpetual in nature net assets:				
Pledges restricted for investment in endowment			14,350	
Beneficial interests in third-party trusts			121	
Total perpetual in nature net assets			$ 56,307	

14. DONOR-RESTRICTED AND BOARD-DESIGNATED ENDOWMENTS (CONTINUED)

The endowment net assets composition by type of fund as of December 31, 2019:

		With Donor Restrictions		
	Without Donor Restrictions	Purpose or Time Restricted	Perpetual in Nature	Total
Donor-restricted endowment funds	$ -	$ 15,915	$ 37,175	$ 53,090
Board-designated endowment funds	60,756	-	-	60,756
Total Funds	$ 60,756	$ 15,915	$ 37,175	$ 113,846

Changes in endowment net assets for the year ended December 31, 2019:

		With Donor Restrictions		
	Without Donor Restrictions	Purpose or Time Restricted	Perpetual in Nature	Total
Beginning balance	$ 52,787	$ 10,187	$ 31,766	$ 94,740
Investment return:				
Investment income	947	775	-	1,722
Net appreciation (realized and change in unrealized)	7,899	7,004	-	14,903
Total investment return	8,846	7,779	-	16,625
Contributions	-	-	5,095	5,095
Collections of pledges restricted for investment in endowment	-	-	314	314
Bequests and contributions designated by the board for endowment	1,583	-	-	1,583
Appropriation of endowment assets for expenditure	(2,460)	(2,051)	-	(4,511)
Ending balance	$ 60,756	$ 15,915	$ 37,175	$ 113,846
Reconciliation to perpetual in nature net assets:				
Pledges restricted for investment in endowment			17,292	
Beneficial interests in third-party trusts			129	
Total perpetual in nature net assets			$ 54,596	

15. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Society's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	2020	2019
Financial assets		
Cash	$ 8,770	$ 6,439
Pledges receivable	19,369	26,131
Accounts receivable	1,246	2,817
Investments	153,965	129,073
Total financial assets at year end	$ 183,350	$ 164,460
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with implied time restrictions - pledge collectible in one to five years	(13,845)	(18,825)
Restricted by donors with time or purpose restrictions:		
Endowment funds less expected appropriation	(57,627)	(32,429)
Capital projects or contractual obligations	(2,002)	(1,970)
Board designations:		
Board designated endowment funds	(71,488)	(60,756)
Financial assets available to meet cash needs for general expenditures within one year	$ 38,388	$ 50,480

In addition to financial assets available to meet general expenditures over the next 12 months, the Society operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of the Society's cash and shows positive cash generated by operations for fiscal years 2020 and 2019.

The Society's board of directors has designated a portion of its unrestricted resources for endowment. Those amounts are identified as board-designated in the table above. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board.

The Society also has two lines of credit totaling $10 million that are available to meet short-term needs. See Note 9 for information about these arrangements.

16. EMPLOYEE BENEFIT PLAN

The Society sponsors an Internal Revenue Code Section 403(b) defined contribution money purchase retirement plan. Participation in the plan is voluntary for all eligible employees who have completed one year of service. The employee and the Society make contributions to the plan trustee. The Society's expense for this plan for 2020 and 2019 was $276 and $291, respectively.

In 2015, the Society established an Internal Revenue Code Section 457(b) Retirement Plan, the purpose of which is to encourage selected key managerial employees to maintain their employment with the Society by providing retirement benefits for them, and pre-retirement benefits for their survivors. The Society makes contributions to the plan, and participants may voluntarily defer compensation within prescribed limits. Participants are fully vested at all times in both their voluntary deferrals and employer contributions. The Society's expense for this plan was $35 and $54 for the years ended December 31, 2020 and 2019, respectively.

17. CONCENTRATIONS

The Society maintains its cash in bank deposit accounts, which at times may exceed federally insured limits. The Society has not experienced any losses in such accounts. The Society believes it is not exposed to any significant credit risk on cash.

18. RELATED PARTY TRANSACTIONS

The Society purchases goods and services from several businesses that are associated with the Board of Directors in its normal course of business. Total expenditures to these related companies amounted to $839 and $623 for 2020 and 2019, respectively. These goods and services were provided at rates consistent with the market rates for not-for-profit organizations. The Society also received $3,286 in contributions from members of the Board of Directors in 2020.

19. PAYCHECK PROTECTION PROGRAM LOAN

During the year ended December 31, 2020, the Society received a Paycheck Protection Program (PPP) loan in the amount of $5,239. The PPP Loan program was created under the Coronavirus, Aid, Relief, and Economic Security (CARES) Act and is administered by the Small Business Administration (SBA). Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing level and salary maintenance requirements are met. The Society may use the funds on qualifying expenses over a covered period of up to 24 weeks. At the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid over a period of 2 years with interest accruing at a rate of 1 percent, with monthly payments of principal and interest beginning ten months after the conclusion of the covered period. Based on the loan amount, irrespective of any potential forgiveness that may be granted in the future, monthly principal and interest payments would be approximately $295 during the repayment period.

19. PAYCHECK PROTECTION PROGRAM LOAN (CONTINUED)

Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels. In addition, because the Society's loan exceeds $2 million, the SBA will review the Society's loan file, which will include review of the Society's eligibility for the program and the good-faith certification of the necessity of the loan.

As of the date of issuance of the consolidated financial statements, the Society has not yet applied for forgiveness. Until the Society receives notification of forgiveness from the SBA, there can be no assurance given that any portion of the PPP Loan will be forgiven. If the SBA determines the Society was not initially eligible under the program or concludes that the Society did not have an adequate basis for making the good-faith certification of the necessity of the loan at the time of application, the loan could become payable on demand. Furthermore, the SBA has the ability to review the Society's loan file for a period subsequent to the date the loan is forgiven or repaid in full and could request additional documentation to support the Society's initial eligibility for the loan and request for loan forgiveness. In the event the SBA subsequently determines the Society did not meet the initial eligibility requirements for the PPP loan, the Society could be required to repay the PPP loan plus interest.

At December 31, 2020, the outstanding balance on the PPP loan is $5,239, which is classified as debt on the consolidated statement of financial position.